



FOUNDATION DEVELOPMENT GROUP





What is “Affordable Housing?”

Workforce Housing

Public Housing

Section 8

Inclusionary Zoning, i.e., MPDUs,
MIHUs

“Tax Credit” Housing



Section 42 of the IRC

- The Low-Income Housing Tax Credit, or LIHTC, was created under the Tax Reform Act of 1986 with bipartisan support.
- Responsive to the needs for affordable housing and the poor efficiencies of public housing authorities in creating, maintaining, owning, and managing housing.
- S-Corporations may take a dollar-for-dollar reduction in Federal income tax burden.
- LIHTC housing is limited to households making no more than 60% of the Area Median Income.
- Developers make at least a 15-year commitment to the rent restrictions.
- The LIHTC program is creating over 95% of the affordable housing in the country.



Who does LIHTC Housing Serve?

- Households making at or below 60% of the applicable Area Median Income
- Working individuals and families
- Seniors
- Disabled persons
- Special needs, i.e., Veterans, Homeless, Youths Aging out of Foster



Area Median Incomes & Rents

Baltimore Metro Area

HH Size	30%	40%	50%	60%
1-person	18,210	24,280	30,350	36,420
2-person	20,820	27,760	34,700	41,640
3-person	23,430	31,240	39,050	46,860
4-person	26,010	34,680	43,350	52,020
5-person	28,110	37,480	46,850	56,220
6-person	30,180	40,240	50,300	60,360

Unit Size	30%	40%	50%	60%	FMR
1-bedroom	487	650	813	975	1,033
2-bedroom	585	781	976	1,171	1,298
3-bedroom	676	902	1,127	1,353	1,663



Area Median Incomes & Rents

Washington, DC Metro Area

HH Size	30%	40%	50%	60%
1-person	22,830	30,440	38,050	45,660
2-person	26,070	34,760	43,450	52,140
3-person	29,340	39,120	48,900	58,680
4-person	32,580	43,440	54,300	65,160
5-person	35,190	46,920	58,650	70,380
6-person	37,800	50,400	63,000	75,600

Unit Size	30%	40%	50%	60%	FMR
1-bedroom	611	815	1,018	1,222	1,402
2-bedroom	733	978	1,222	1,467	1,623
3-bedroom	847	1,129	1,411	1,694	2,144



Getting the LIHTCs

- Each State gets allocations of credits based on its population.
- State Housing Agencies are charged with administering the credits, in Maryland that is the Community Development Administration within the Department of Housing and Community Development.
- Qualified Allocation Plan must meet the standards of Section 42, but otherwise it is a public policy document promoting the policy priorities of any given state.
- We build what and where based on these priorities.
- **Current Priorities**
 - Opportunity Areas
 - Transportation
 - Other State-Designated Areas for Development, i.e., Sustainable Communities
 - Diverse Development Team with preferences for M/WBE, nonprofit, PHA
 - Disabled and Special Needs Populations
 - Mixed-Income
 - Family Housing
 - Lower Incomes
 - Non-State Resources
 - Long-Term Resources



Types of LIHTC

- **Non-Competitive, 4%, or 30% Credits**
 - Provides 1/3 of the sources for a project
 - Combined with government-issued bonds
 - Applications accepted on a rolling basis in MD
 - Historically this resource is never oversubscribed in MD
 - More market risk for developers, much more like a Market project
- **Competitive, 9%, or 70% Credits**
 - Provides more than 2/3 of the sources for a project
 - Applications accepted once per year in MD
 - Historically 60% of applications are funded
 - Less market risk for developers, but complex populations and commitments



What Investors Get

- Tax credit over 10 years, benefits of depreciation and other losses
- Must be part of the ownership in order to take the tax credit and the benefit of the losses
- Not a day-to-day owner

LIHTC Partnership Structure		
Party	Developer	Investor
Partner Level	General or Managing	Limited
Management of Project	Yes	No
Partnership Control	Primary	some veto rights
Share of LIHTC	0.01%	99.99%
Share of Initial Equity	0.01%	99.99%



Affordable Housing Product

- Market Rate look and feel
- Must meet all local design requirements and adhere to all State and local codes
- LEED, NGBS, EarthCraft, Enterprise Green Communities, and EnergyStar
- Amenities
 - Community Rooms
 - Business Centers/Cyber Cafes
 - Fitness Centers
 - Theater Rooms
 - Games Rooms
 - Service Spaces, like Beautician, Healthcare
 - Outdoor Amenities, like Playgrounds, Walking Paths, Sitting Areas, Community Gardens



Project Pictures





Project Pictures





Featured Developments



Berger Square

- 48 apartments
- Located in Odenton, Maryland
- LEED Accredited
- For Profit/Non Profit partnership
- Completion August 2016
- \$15.4 million in development costs
- \$8.5 million in construction costs





Burgess Mill Station

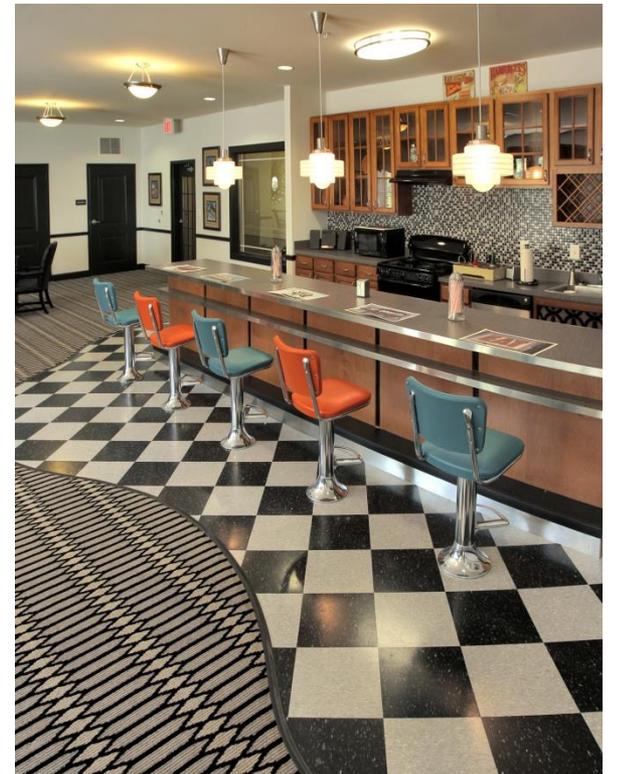
- 198 Mixed Income Apartments
 - Located in Historic Ellicott City, Maryland
- Wood framed multi story construction
- Partnership with Howard County
- Demolition of the existing units
- Total Development Costs \$38 million
- Total Construction Costs \$24 million
- Project is completed and 100% occupied





Perryman Station

- 80 senior apartments located in Aberdeen, Maryland
 - Theater, café, lounge, art studio, health suite, beauty salon, hotel room, greenhouse, patio, billiards room
- Wood framed multi story construction
- Acquired the property from private landowner
- Renovation of existing house into non-profit offices
- Total Development Costs \$14 million
- Total Construction Costs \$8 million
- Project is complete and 100% occupied



Rainier Manor

- 100 unit redevelopment of existing senior community
 - Theater, café, lounge, art studio, health suite, beauty salon, piano bar, patio, gazebo, billiards room
- Wood framed multi story construction
- Acquired the property from private landowner
- Saved 100 seniors from displacement
- Total Development Costs \$13 million
- Total Construction Costs \$6 million
- Project is complete and 100% occupied



Windsor Crossing

- Demolished the existing 516 dilapidated apartments
- Environmental abatement included lead paint, asbestos, PCB's, underground storage tank
- Significant soil issues, fat clay, sand – grinded demo material to use in soil
- New Construction of a three part, intergenerational, mixed use community
 - 125 Senior Elevator Apartments in one building
 - Library, theater, café, health suite, computers in each unit, exercise room, exercise room, beauty salon
 - 128 Multi Family Garage Apartments in eight buildings
 - 95 Market Rate Condominiums in 19 buildings
 - 6,500 square foot Community Center
 - Adult and children's separate, computer center, exercise room, recreation room, lounge, head start room, pool, tot lot
- Partnered with Prince George's County Housing Authority, a non-profit government entity
- Project is complete and 100% occupied
- Total Development Costs \$45 million
- Total Construction Costs \$29.9 million
- Project completed on schedule in 14 months
- Innovative design with wood framed interior common areas
- Located in Suitland, Maryland



Hampshire Village

- 110 unit two bedroom senior apartments located in Silver Spring, Maryland
 - Theater, café, exercise room, billiards room, library, beauty salon, health suite, hotel room
- Wood framed multi story construction
- Partnered with a non-profit assisted living provider
- Shared site with assisted living facility
- Lengthy zoning and special exception approval process
- Total Development Costs \$15 million
- Total Construction Costs \$8.9 million
- Challenging project design and changes based on local input
- Project is complete and 100% occupied





Hammarlee House

- 55 senior apartments located in Glen Burnie, Maryland
 - Theater, café, lounge, art studio, health suite, beauty salon, greenhouse, patio, billiards room
- Wood framed multi story construction
- Acquired the property from private landowner
- Total Development Costs \$14 million
- Total Construction Costs \$8 million
- Project is complete and 100% occupied



Belle Hill Manor

- 84 Multi Family Apartments
 - Located in Elkton, Maryland
- Innovative Manor House Design
 - Each resident with a private entrance
- Total Development Costs \$19 million
- Total Construction Costs \$12 million
- Project is completed and 100% occupied





Calculating LIHTC Equity

- **Eligible Basis**
 - Generally any project cost that is depreciable
 - Buildings only, if they meet the 10-year rule
 - No vacant land
 - No LIHTC transactional costs
 - No permanent financing costs
 - No reserves
- **Adjustments to Eligible Basis**
 - Applicable Fraction
 - 100% or adjusted for non-LIHTC space
 - Basis Boost or 130%
 - QCTs and now Areas of Opportunity
 - Less any Federal funds, Historic Tax Credits, or other Federal sources
- **Eligible Basis x Applicable Fraction x Credit Rate x 10 years worth of LIHTC x Investor's Credit Pricing**



Calculating LIHTC Equity

	9%	4%
Eligible Basis	10,000,000	25,000,000
Applicable Fraction	130%	100%
Adjusted Basis	13,000,000	25,000,000
Credit Rate	9%	3.15%
Allocated LIHTC	1,170,000	787,500
Years LIHTC is Taken	10	10
Total LIHTC to Investor	11,700,000	7,875,000
Credit Pricing	1.03	1.00
Total LIHTC Equity	12,051,000	7,875,000